

PUBLIC DISCLOSURE

February 6, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

STONEHAMBANK, A CO-OPERATIVE BANK

80 MONTVALE AVENUE

STONEHAM, MA

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **StonehamBank, A Co-operative Bank ("StonehamBank" or the "Bank")**, prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY"

This is the Bank's first examination under the Intermediate Small Bank Procedures. A summary of the Bank's performance is provided below. The rating of this institution is based upon the Lending Test and the Community Development Test, as shown below in the public evaluation. The Bank achieved satisfactory performance under each of these tests.

Lending Test

The Bank's net loan-to-deposit ratio is good given the Bank's size, financial condition, assessment area credit needs, and the competitive market in which it operates.

Lending activity within the assessment area is adequate at 57.8 percent.

The assessment contains no low-income census tracts. The geographic distribution of the Bank's Home Mortgage Disclosure Act ("HMDA") reportable loans reflects a reasonable dispersion throughout the assessment area when compared to the population within moderate-income tracts.

The Bank demonstrates a good level of lending to retail customers of different income levels.

Community Development Test

The Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through provision of community development loans, qualified investments, and community development services.

The Bank has demonstrated a good level of grant and investment activity and the Bank is responsive to addressing community needs.

PERFORMANCE CONTEXT

Description of Institution

StonehamBank, A Co-operative Bank is a mutually owned thrift institution that has been doing business in the suburban area north of Boston since it was founded in 1887. Since that time, the Bank has grown to a \$395 million institution with three offices. Its main office is located at 80 Montvale Avenue in Stoneham and branch offices are located in the Redstone Shopping Center in Stoneham and at 493 Boston Road in Billerica.

StonehamBank is not a subsidiary of a holding company, but it does have several subsidiaries. STOCCO and STOCCO II were established by management to hold the Bank's securities portfolio. Subsidiaries like this are common among banks throughout Massachusetts. The third subsidiary, which is also common to larger institutions, is 80 Montvale LLC, which owns the real estate used for Bank operations. The other subsidiaries, Co-operative Mortgage and SCB Advertising, exist in name only at the present time. Additionally, the Bank has a charitable foundation, established in 2001, which provides a source of funds that management can use to benefit the community through contributions and grants to a variety of local social service, educational, and civic organizations. Since that time, many contributions have been made to various charitable organizations. As of year-end 2005, the total endowment was \$55,081.70.

Since the previous Federal Deposit Insurance Corporation ("FDIC") CRA examination dated March 10, 2003 the Bank's total assets have increased from \$302 million to almost \$395 million, or almost 31 percent. Loans currently account for 79.6 percent of total assets, up from 73.7 percent at the last examination while securities and other assets have declined correspondingly.

StonehamBank is engaged almost exclusively in residential mortgage lending. As of December 31, 2005, loans secured by first and subordinate liens on one-to-four family residential properties, including residential construction loans, accounted for 90 percent of its total portfolio. Commercial real estate loans and loans on multifamily residential properties (i.e. properties with 5 or more residential units) follow distantly with 6.2 percent and 3.1 percent, respectively. The balance is comprised of consumer loans, "commercial and industrial" loans (i.e. working capital lines of credit, loans for machinery and equipment, and loans secured by commercial vehicles), and "other" miscellaneous forms of credit which when combined equal less than 1 percent of the total portfolio.

The following table provides additional details regarding the structure of the Bank's loan portfolio:

PERFORMANCE CONTEXT (CONTINUED)

Loan Portfolio Distribution as of December 31, 2005		
Loan Type	Dollar Volume (000)	Percentage of Total Loans
Construction and Land Development	60,475	19.2
Secured by Farmland	0	0.0
Revolving Open-end 1-4 Family Residential	24,014	7.6
Closed-end 1-4 Family Residential First Lien	197,455	62.8
Closed-end 1-4 Family Residential Junior Lien	1,221	0.4
Multi-family Residential	9,647	3.1
Commercial Real Estate	19,388	6.2
Total Real Estate Secured	312,200	99.3
Loans to Finance Agricultural Production	0	0.0
Commercial and Industrial Loans	180	0.1
Consumer Credit Cards	0	0.0
Other Consumer Revolving Loans	1,498	0.5
Closed-end Consumer Loans	761	0.2
Obligations of States and Political Subdivisions	0	0.0
Other Loans	30	0.0
Less: Any Unearned Income on Loans	(230)	-0.1
Total Loans	314,439	100.0
<i>Source: StonehamBank's December 31, 2005 Consolidated Report of Condition</i>		

In addition to the loans originated for its own portfolio, the Bank also originates residential mortgages that are sold on the secondary market. This practice permits a lender to “recycle” funds and originate a higher volume of loans than would be permitted for a portfolio lender alone. Since the previous examination, the Bank’s annual origination and sale of residential mortgages on the secondary market has decreased from \$368,810,135 during 2003 to \$31,524,717 during 2005, or 91.5 percent. The Bank’s secondary market capabilities provide management with the ability to offer a wide inventory of credit products suitable to the needs of creditworthy homebuyers/homeowners in all income ranges.

With the volume of loans originated and sold on the secondary market, the Bank’s lending operations are more active than most banks of the same size. A team of mortgage originators who work throughout the Bank’s assessment area generates the balance of residential lending. Nine originators are currently employed by the institution. Unlike some lenders who divide their market area into specific territories for each originator, the Bank’s mortgage originators share the entire assessment area. However, most have specific localities within the area where they generate a majority of their business.

The last FDIC CRA examination dated March 10, 2003, resulted in an overall rating of “Satisfactory.” That examination was the Bank’s first time being evaluated as a large bank. The Division’s examination of the Bank resulted in an “Outstanding” CRA rating at its last examination dated December 21, 1998; however the Bank was evaluated as a small bank at that examination.

PERFORMANCE CONTEXT (CONTINUED)

There are no significant financial or legal impediments that limit the Bank's ability to help meet the credit needs of its assessment area. However, the Bank operates in a highly competitive environment. In 2004, 462 lenders originated home mortgage loans in the Bank's assessment area and the Bank's primary local competitors for deposits and loans include Bank of America, Citizen's Bank, and Stoneham Savings Bank.

Description of Assessment Area

Overview

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas ("MSA"s) for statistical reporting purposes by federal agencies. The Bank's current assessment area contains 16 cities and towns located in the Cambridge-Newton-Framingham MA Metropolitan Division ("MD") and the Essex County MA MD. These include the cities and towns of Billerica, Burlington, Lynnfield, Malden, Medford, Melrose, North Reading, Peabody, Reading, Stoneham, Saugus, Tewksbury, Wakefield, Wilmington, Winchester, and Woburn.

The entire assessment area contains 89 census tracts: 14 (15.7 percent) moderate-income, 64 (71.9 percent) middle-income and 11 (12.4 percent) upper-income.

The following data provides demographic and economic information pertaining to the Bank's assessment area:

Housing information obtained from CRA WIZ, based on 2000 census data for the assessment area, indicated that there are 185,859 housing units, of which 69.0 percent are owner-occupied. Refer to the following table for more information.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>House- holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
<i>Moderate</i>	15.7%	15.6%	15.7%	9.6%	29.9%	22.4%	\$193,962
<i>Middle</i>	71.9%	72.1%	72.0%	74.6%	66.2%	67.9%	\$221,210
<i>Upper</i>	12.4%	12.3%	12.3%	15.8%	3.9%	9.7%	\$326,676
<i>Total or Median</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$229,870</i>

Source: U.S. Census

PERFORMANCE CONTEXT (CONTINUED)

Economy and Unemployment

Similar to most parts of Massachusetts, the assessment area has been experiencing positive economic conditions over the past few years. Also noted is how each city and town's unemployment rate compares to the Massachusetts unemployment rate. The unemployment rates throughout the assessment area ranged from a low of 3.4 percent in Burlington, Melrose, and Reading to a high of 4.9 percent in Saugus. The state's rate of employment for this period was 4.5%.

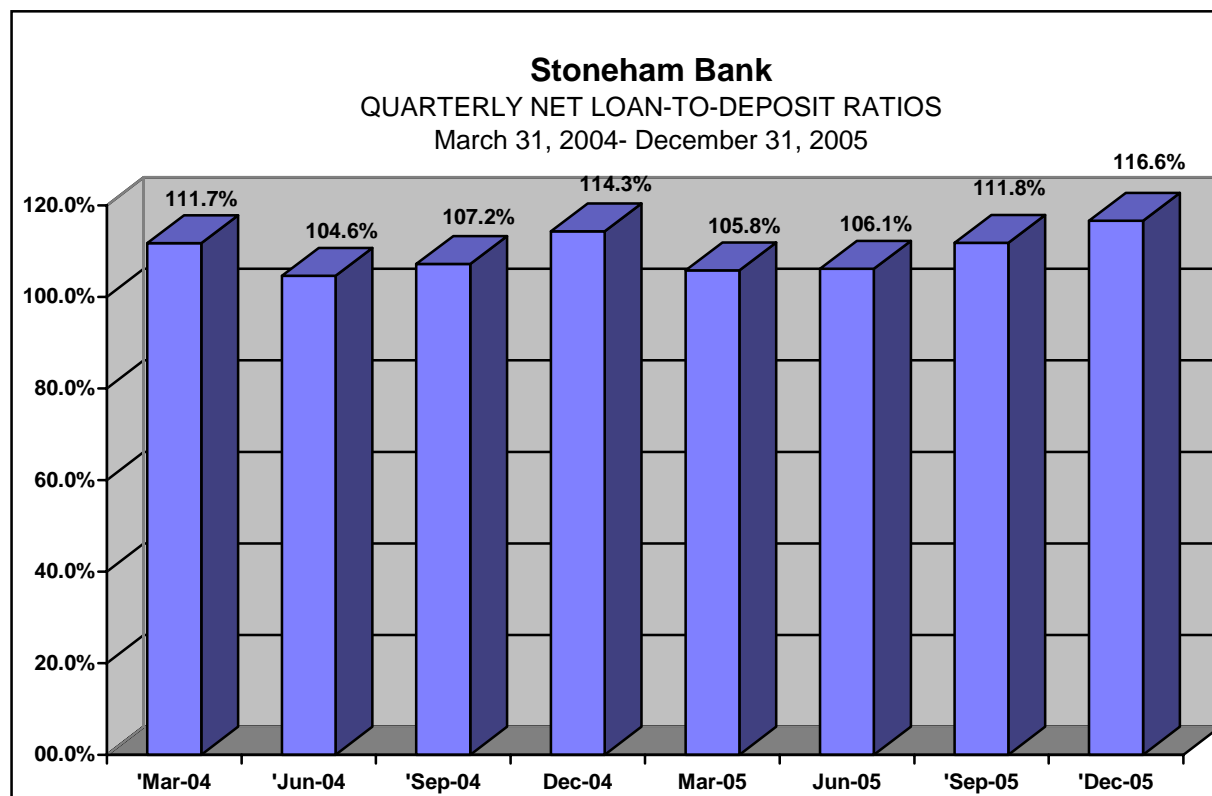
Community Contacts

Two community contacts were referenced during the examination.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

A comparative analysis of StonehamBank's quarterly net loan-to-deposit ratios for the period of March 31, 2004 through December 31, 2005, was conducted during this examination. Using the Bank's quarterly Call Reports, the average net loan-to-deposit ratio for this period is 109.8 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The following graph is provided for further analysis.



The net loan to deposit ratio stood at 116.6 percent as of December 31, 2005. A comparison of the dollar amount for the Bank's loans and deposits as of March 31, 2004 was compared to that of December 31, 2005. This comparison revealed that deposits have increased by 10.9 percent, while net loans for the same period increased by 15.7 percent.

The Bank's net loan-to-deposit ratio is good given the Bank's size, financial condition, assessment area credit needs, and the competitive market in which it operates.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

StonehamBank's 2004 and 2005 HMDA Loan Application Registers ("LAR"s) were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 895 HMDA reportable loans totaling approximately \$184,036,000. Of these loans, 517 or 57.8 percent were originated inside the Bank's assessment area totaling \$105,773 or 57.5 percent of the total dollar amount.

PERFORMANCE CRITERIA (CONTINUED)

Refer to the following tables for additional information regarding the Bank's HMDA reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2004	269	54.3%	54,938	55.1%	226	45.7%	44,743	44.9%
2005	248	62.0%	50,835	60.3%	152	38.0%	33,520	39.7%
Total	517	57.8%	105,773	57.5%	378	42.2%	78,263	42.5%

Source: 2004/2005 HMDA DATA

As indicated in the table above, a majority of the Bank's loans originated during the examination period were inside the Bank's assessment area. The number of loans has decreased by 19.2 percent from 2004 to 2005. Similarly, by dollar volume, the Bank's HMDA reportable loans decreased by 15.4 percent for the same time period. The decrease in loans from 2004 to 2005 is due primarily to the rising interest rate environment. An additional analysis from CRA WIZ indicated that StonehamBank was ranked 33rd in 2004 within the assessment area. The top three HMDA reportable lenders within the assessment area were Countrywide Home Loans, GMAC Mortgage Corporation, and Washington Mutual Bank FA.

Although StonehamBank's percentage of lending inside the assessment area is just slightly above fifty percent, the volume of loans is considered to be good.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes for 2004 and 2005 were compared to the median family incomes for the Cambridge-Newton-Framingham MA MD and the Essex County MA MD. The income figures are based on estimated information from the US Department of Housing and Urban Development ("HUD").

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows, by number, HMDA reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of total households within the assessment area in each respective income group.

PERFORMANCE CRITERIA (CONTINUED)

Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Total Households		2004		2005		Total	
	#	%	#	%	#	%	#	%
< 50%	36,768	20.2%	30	11.2%	31	12.5%	61	11.8%
50 – 79%	26,958	14.8%	71	26.4%	80	32.3%	151	29.2%
80 – 119%	36,025	19.8%	94	34.9%	68	27.4%	162	31.3%
> = 120%	82,184	45.2%	66	24.5%	60	24.2%	126	24.4%
N/A	0	0.0%	8	3.0%	9	3.6%	17	3.3%
Total	181,935	100.0%	269	100.0%	248	100.0%	517	100.0%

Source: HMDA/LAR Data for the period 1/1/04 to 12/31/05

During this time period, StonehamBank extended 61 HMDA reportable loans to low-income borrowers representing 11.8 percent of total originations within the assessment area. Although this percentage is below that of total low-income households throughout the assessment area, there are mitigating factors including the high cost of homes and the difficulty of low-income borrowers to purchase homes.

In addition, the Bank extended 151 loans to moderate-income borrowers representing 29.2 percent of the HMDA reportable originations inside the assessment area. The number of loans to moderate-income borrowers is above the 14.8 percent of moderate-income households within the assessment area.

The distribution of the Bank's loans among various borrower income levels may also be compared to that of all other HMDA reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2004.

The following table shows the Bank's distribution of loans among various income levels compared to other HMDA reportable lenders throughout the Bank's assessment area in 2004.

Distribution of HMDA Reportable Loans – Assessment Area StonehamBank Compared to All Other Reporters								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	StonehamBank		All Other Reporters		StonehamBank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	30	11.2%	2,470	6.8%	3,630	6.6%	352,524	4.0%
Moderate	71	26.4%	7,847	21.6%	12,831	23.4%	1,568,657	17.9%
Middle	94	34.9%	11,378	31.3%	19,782	36.0%	2,695,757	30.8%
Upper	66	24.5%	9,275	25.5%	16,983	30.9%	2,735,393	31.2%
NA	8	3.0%	5,386	14.8%	1,712	3.1%	1,408,117	16.1%
Total	269	100.0%	36,356	100.0%	54,938	100.0%	8,760,448	100.0%

Source: HMDA/LAR 2004 HMDA Aggregate Data

PERFORMANCE CRITERIA (CONTINUED)

As shown above, the Bank's percentage of lending to borrowers of low-income is above the aggregate by number and dollar amount for 2004. StonehamBank originated 11.2 percent by number and 6.6 percent by dollar amount of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 6.8 percent by number and 4.0 percent by dollar amount.

The Bank's HMDA reportable loans originated during 2004 to moderate-income borrowers accounted for 26.4 percent by number and 23.4 percent by dollar amount within the assessment area. Both number and dollar volume are also above the aggregate's lending to moderate-income borrowers for 2004 as 21.6 percent by number and 17.9 percent by dollar volume of the aggregate's lending were originated to moderate-income borrowers.

An analysis was also performed to determine how the Bank's originations compare to the other 461 lenders within the assessment area. During 2004, the most recent data available, StonehamBank ranked 24th in lending to low and moderate-income borrowers throughout the assessment area. This ranking is considered good given the size, financial capacity, and resources of the Bank as well as the strong competition within the Bank's assessment area.

4. GEOGRAPHIC DISTRIBUTION

The Bank's residential loans located within the Bank's assessment area were further analyzed to determine their location by census tract income level. The entire assessment area contains 89 census tracts: 14 (15.7 percent) moderate-income, 64 (71.9 percent) middle-income and 11 (12.4 percent) upper-income.

The following table provides a breakdown, by number and dollar amount, of the Bank's residential loans within its assessment area according to the census tract income level. The table also shows the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Owner-Occupied Units		2004		2005		Total	
	#	%	#	%	#	%	#	%
Moderate	17,805	9.6%	15	5.6%	10	4.0%	25	4.8%
Middle	138,595	74.6%	232	86.2%	217	87.5%	449	86.9%
Upper	29,440	15.8%	22	8.2%	21	8.5%	43	8.3%
Total	185,840	100.0%	269	100.0%	248	100.0%	517	100.0%

Source: HMDA/LAR Data for the period 1/1/04 to 12/31/05

During 2004 and 2005, the Bank extended 25 loans within moderate-income census tracts representing 4.8 percent of total loans within the assessment area.

PERFORMANCE CRITERIA (CONTINUED)

The geographic distribution of the Bank's loans by census tract category may also be compared to that of all other HMDA reportable lenders in the assessment area. The most recent data available for this analysis relates to calendar year 2004 and is presented in the following table.

Lending Within the Assessment Area by Census Tract Income Level Stoneham Bank Compared to All Other HMDA Reporters

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	StonehamBank		All Other Reporters		StonehamBank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Moderate	15	5.6%	4,279	11.8%	3,231	5.9%	1,047,621	12.0%
Middle	232	86.2%	27,011	74.3%	45,948	83.6%	6,187,013	70.6%
Upper	22	8.2%	5,065	13.9%	5,759	10.5%	1,525,664	17.4%
Total	269	100.0%	36,356	100.0%	54,937	100.0%	8,760,298	100.0%

Source: HMDA/LAR Data for the period 1/1/04 to 12/31/04.

In 2004, the Bank extended 15 loans totaling \$3,231,000 in moderate-income census tracts representing 5.6 percent by number and 5.9 percent by dollar amount compared to the aggregate that extended 11.8 percent by number of loans and 12.0 percent by dollar volume in moderate-income census tracts.

5. FAIR LENDING POLICES AND PRACTICES

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to evaluate fair lending policies and procedures. A review was conducted for compliance with fair lending regulations and no evidence of discrimination was detected.

StonehamBank has a written Fair Lending Policy. Included in this policy are the Bank's efforts to eliminate discrimination in all aspects of lending, as well as to provide guidance to Bank employees on how to comply with fair lending policies and procedures. The Bank provides fair lending training to all employees at least annually. Management develops training programs that cover all aspects of the lending process.

StonehamBank markets its services and products to its community primarily through print advertisements.

Minority Application Flow

The Bank's loan application registers for 2004 and 2005 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the area's demographics.

PERFORMANCE CRITERIA (CONTINUED)

The 2004 and 2005 loan applications registers indicate that StonehamBank had received 579 HMDA reportable applications within its assessment area. Of these applications, 559 or 96.6 percent were received from white applicants and 13 or 2.2 percent were from minority individuals. Of the 13 minority applications received from the Bank, nine resulted in originations. Refer to the following table for information on the minority application flow as well as a comparison of the aggregate lenders throughout StonehamBank's assessment area.

MINORITY APPLICATION FLOW

Race	Aggregate Data 2004		Bank 2004		Bank 2005		Bank Total	
	#	%	#	%	#	%	#	%
<i>American Indian/Alaskan Native</i>	196	0.4	0	0.0	0	0.0	0	0.0
<i>Asian</i>	1,856	3.5	3	1.0	2	0.7	5	0.9
<i>Black or African American</i>	1,310	2.5	1	0.3	1	0.4	2	0.3
<i>Hawaiian/Pacific Islander</i>	108	0.2	2	0.7	1	0.4	3	0.5
<i>Joint Race</i>	382	0.7	1	0.3	2	0.7	3	0.5
Total Minority	3,852	7.3	7	2.3	6	2.2	13	2.2
<i>White</i>	35,120	66.5	297	97.0	262	96.0	559	96.6
<i>Race not Available</i>	13,871	26.2	2	0.7	5	1.8	7	1.2
Total	52,843	100.0	306	100.0	273	100.0	579	100.0

2004 & 2005 HMDA Data

COMMUNITY DEVELOPMENT TEST

StonehamBank's community development performance demonstrates satisfactory responsiveness to the community development needs of its assessment area. The Bank has met these community development needs through community development loans, qualified investments and grants, and community development services.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

In total, the Bank originated four community development loans totaling \$14,906,300 million in its assessment area. Listed below are the projects funded:

- In 2004, the Bank originated a \$4,115,000 commercial real estate loan in support of a Chapter 40B project in Billerica. The loan provided acquisition and construction financing for a 132 unit subdivision with 36 units designated as affordable.

PERFORMANCE CRITERIA (CONTINUED)

- In 2004, the Bank originated a \$4,406,000 construction loan for a 36 unit condo development in Billerica. Three of these units are designated as affordable.
- In 2005, the Bank originated a \$4,250,000 construction loan in support of a Chapter 40B project in Billerica. The loan provided acquisition and construction financing for 60 units, of which 15 were designated as affordable.
- In 2005, the Bank originated a \$2,135,300 commercial real estate loan in support of a Chapter 40B project in Stoneham. The loan provided acquisition and construction financing for an eight unit subdivision with two units designated as affordable.

For all the projects listed above, the Bank makes financing available for the affordable housing units.

Qualified Investments

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

Overall, StonehamBank has demonstrated a good level of grant and investment activity.

StonehamBank is responsive to community needs within its assessment area and the surrounding areas of Middlesex and Essex counties through its investment activities.

Total qualified investments for this evaluation period include grants and donations as well as equity investments. Both types of investment activity support efforts to meet the needs of low and moderate-income families and individuals by providing affordable housing, health care, family counseling, food pantries, and daycare services. Annual levels of qualified grants and donations were \$40,740 in 2003, \$19,990 in 2004 and \$36,990 during 2005. The total qualified grants and donations was \$97,720 for the evaluation period. For complete years, 2004 and 2005, these figures represent .7 percent and 1 percent of pre-tax net operating income, respectively.

During this investment period, the Bank continues to invest in the CRA Qualified Investment Fund with securities at a current book value of \$998,222. This fund invests in pools of loans made to low-and moderate-income borrowers in targeted areas including Essex and Middlesex county communities that are part of the Bank's assessment area.

During the evaluation period, the Bank also invested \$818,880 in the Federal Home Loan Mortgage Corporation's (Freddie Mac) Gold Pool mortgage backed securities. The specific mortgages that are backing this investment are loans made to moderate-income borrowers on properties located in Middlesex County, including communities in the Bank's assessment area.

PERFORMANCE CRITERIA (CONTINUED)

The Bank's third qualified investment is \$1,000,000 invested in Access Capital Strategies Community Investment Fund, a secondary market purchaser of private placements backed by affordable housing, community development and small business loans. The Bank's investment is backed by residential mortgage loans made to low and moderate-income borrowers for properties located in Essex and Middlesex counties, including communities located in the Bank's assessment area. Qualified equity investments for this evaluation period total \$2,817,103, which represents 5 percent of the Bank's total securities.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance.

StonehamBank continues its involvement in special programs aimed at meeting the credit needs of low and moderate-income homebuyers, including first time homebuyer programs through the Massachusetts Housing Finance Agency (MHFA) as well as other programs with such incentives as flexible underwriting criteria and reduced down payment requirements targeted to low-and moderate-income borrowers through the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal Housing Administration (FHA).

With a grant from the Federal Home Loan Bank and in partnership with the Community Services Network, StonehamBank offers Individual Development Accounts to qualified low and moderate-income applicants to assist them in saving the funds for a down payment in order to make home ownership a reality. The Bank is actively involved with the financial literacy classes that are also a part of this program, providing instruction, classroom space, refreshments and other needed resources.

In addition to programs focused on helping to meet affordable housing needs, StonehamBank also continues its involvement with the "Stoneham Invests" Business Loan Program, a program created by the town's Office of Community Development in conjunction with the Stoneham Chamber of Commerce, and the Stoneham Business Roundtable. This program was created to halt the decline of Stoneham's downtown business area and the reduction in employment opportunities that businesses of this type typically provided for the community's low- and moderate- income residents.

Overall, qualified community development services demonstrate a reasonable level of activity for the Bank.

StonehamBank provides a range of community development services that have resulted in a better-educated community, increased awareness of community needs, and contributed to the overall revitalization of the communities served. The Bank's officers and staff members provide an adequate level of qualified services (providing financial and/or technical expertise) to a number of area organizations. The following are a few examples of how StonehamBank's participation with various organizations has benefited the assessment area.

PERFORMANCE CRITERIA (CONTINUED)

Habitat for Humanity

A Bank Vice President is Chairperson of the Board for the fundraising committee for this organization that builds affordable homes for low and moderate-income individuals.

Community Service Network

An Assistant Vice President of the Bank serves as a member of the Board of Directors, is a Financial Literacy Instructor, and Coordinator of the IDA program of this organization. This organization is geared towards Housing Advocacy Initiatives for low and moderate-income individuals

Consumer Credit Counseling of New England

The Bank's President & Chief Executive Officer is a Steering Committee Member of this organization that assists consumers with their financial posture.

Mystic Valley Elder Services

The Bank's Assistant Treasurer serves as a money management volunteer for this organization. This is an organization designed to assist low-income elderly persons who may need help with financial matters, budgeting, bill paying, opening direct deposit accounts, and balancing bank statements.

Boys & Girls Club of Woburn

A Vice President of the Bank serves as a member of the Board of Directors of this organization that is involved with the development of youth services within the community.

Based on the Bank's office locations, hours of operations and alternative delivery systems, the services that the Bank provides are readily accessible to all segments of the local population.

StonehamBank operates three full-service offices, two in Stoneham and one in Billerica, all of which are located in middle-income census tracts. All are equipped with 24-hour Automated Teller Machines that are linked to the NYCE, CIRRUS, and Exchange networks. The Bank's main office and Billerica branch also have drive-up windows. The Bank also offers 24-hour telephone and on-line banking services which permit customers to access information regarding their loan and deposit accounts and to transfer funds among their deposit accounts free of charge. Online bill payment services are also available for a monthly fee.

PERFORMANCE CRITERIA (CONTINUED)

Applications for residential mortgages and home equity loans can be made through the Bank's staff of nine residential mortgage originators by visiting the Bank's main office where its mortgage center is located. Applicants can also call to make an appointment for an originator to meet with them at any of the Bank's three offices or, if more convenient, their home or place of work. The Bank provides a full array of deposit services, including low-cost checking and savings accounts for people of modest means that meet Massachusetts Community and Banking Council's (MCBC) Basic Banking for Massachusetts program guidelines.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 80 Montvale Avenue in Stoneham, Massachusetts.

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.